In This Issue...

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Financial Briefs

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Get the Basics Right

The sheer number of financial decisions required to manage our finances can seem overwhelming. But often we spend an inordinate amount of time on small stuff — getting the bills paid on time, reconciling bank accounts, and calling to have a late charge waived. While those things need to get done, how do we judge whether we're headed on the right course? There are six basic financial decisions that can determine the course of your financial life:

1. How you earn a living. Sure, we all want to enjoy our work. But within that parameter, why not choose a job that will pay more than another? Your income is going to drive all your other financial decisions, so investigate your options:

- Are you sure you're being paid a competitive wage with competitive benefits? Even if you aren't interested in changing jobs now, pay attention to what is going on in your field.
- Do you have an outside interest or hobby that can be turned into a paying job? This could be a good way to supplement your current salary, or it could turn into a part-time job or business after retirement.
- Can you get some additional training to help secure a promotion or qualify for another job? Read up on what jobs are expected to experience the highest growth rates and/or highest salaries over the next five years. If you don't enjoy your current job, you'll have even more incentive to implement these suggestions.

2. How you spend your income. The amount of money left over for saving is a direct result of your lifestyle choices, so learn to live within your means. To get a grip on spending, consider these tips:

- Analyze your spending for a month. In which categories do you spend more than you expected? Are you wasting money on impulse purchases? Give serious thought to your purchasing patterns, trying to find ways to

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Preventing Identity Theft

It's a common assumption that most identity thefts occur as a result of Internet usage. But online problems typically result from the user's carelessness — responding to an e-mail message asking for financial information or clicking on links in an e-mail message. A far greater percentage of identity thefts occur as a result of a lost wallet or stolen mail.

Armed with your name, Social Security number, and birth date, thieves can obtain credit cards, get loans, purchase a car, or apply for a job in your name. This information can be obtained from a variety of places. Many people get checks printed with their Social Security number, driver's license number, and birth date. Mail theft frequently results in finding something with a Social Security number. Calls to credit bureaus, posing as prospective landlords, employers, or lenders, often yield information. Computer-literate thieves can find many ways to garner information over the Internet.

While you typically won't have to pay for anything charged by an identity thief, you will have to work to restore your credit and close all fraudulent accounts. That can be time-consuming and expensive. If you are a victim of identity theft, inform the three major credit bureaus so a fraud alert can be placed on your account. That way, no new credit will be issued without first contacting you. Also file a police report in case a creditor wants proof of the crime. Make sure to report the theft on the Federal Trade Commission's ID Theft Affidavit at ftc.gov/idtheft, which advises many companies and organizations about the theft.

To help prevent your identity from being stolen, follow these tips:

- **Protect your Social Security**

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Get the Basics Right

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reduce spending.

- One of your most significant spending decisions will be your home. Many people purchase the largest home they can afford, often straining their budget. Purchasing a smaller home will reduce your mortgage payment as well as other costs associated with owning a home.
- Prepare a budget to guide your spending. Few people enjoy setting or sticking to a budget, but inefficient and wasted expenditures can be major impediments to accomplishing your financial goals. A budget gives you a road map for spending your income. Start by setting a budget for a couple of months, tracking your expenses closely over that time. You can then fine-tune your budget for an annual period.

3. How much you save. You should be saving a minimum of 10% of your gross income. But don't just rely on that rule of thumb. Calculate how much you need to meet your financial goals and how much you should be saving on an annual basis. If you can't seem to save that much, go back to your spending analysis and cut your spending. First, look for ways to reduce your spending by lowering the cost of your purchases. Perhaps you can refinance your mortgage, find insurance for a lower premium, or use strategies to reduce taxes. At some point, however, you may need to cut your discretionary spending, such as entertainment, dining out, clothing, and travel.

4. How you invest. The ultimate size of your portfolio is a function of two factors — how much you save and how much you earn on those savings. Even small differences in return can significantly impact your investment portfolio. Typically, investments with potentially higher rates of return have more volatility than investments with lower rates of return. While you don't want to take on excessive risk, you also don't want to leave all your savings in investments with little growth potential. Your portfolio should contain a diversified mix of investment categories, based on your return expectations, risk tolerance, and time horizon for investing.

5. How you manage debt. Before you take on debt, consider the effect it will have on your long-term goals. If you are already having trouble finding money to save, additional debt will make it even more difficult to save. To keep your debt in check, consider these tips:

- Mortgage debt is acceptable, as long as you can easily afford the home.
- Be careful about taking equity out of your home in the form of a home-equity loan. You might want to set up a home-equity line of credit for emergency use, but make sure it is only used for emergencies. It may also make sense to use a home-equity loan to pay off higher interest rate consumer loans, but don't run those balances up again.
- Never purchase items on credit that decrease in value, such as clothing, vacations, food, and entertainment. If you can't pay cash, don't buy them.
- If you must incur debt, borrow wisely. Make as large a down payment as you can. Consider a shorter loan period, even though your payment will be higher. Since interest rates can vary widely, compare loan terms with several lenders. Review all your debt periodically, to see if less expensive options are available.

6. How you prepare for financial emergencies. Making arrangements to handle financial emergencies will help prevent them from adversely affecting your financial goals. Make sure to have:

- An emergency fund covering several months of living expenses. Besides cash, that fund can include readily accessible investments or a line of credit.
- Insurance to cover catastrophes. At a minimum, review your coverage for life, medical, homeowners, auto, disability, and personal liability.
- A power of attorney so someone can step in and take over your finances if you become incapacitated.

If you'd like help with these six basic financial decisions, please feel free to call.

Money and Happiness

We all know the saying that money doesn't buy happiness, but there are days when an extra $50,000 sure seems like it would buy a lot of happiness. Yet, studies indicate that the saying is probably correct.

A June 2006 study found that once a certain income level is reached, additional money does not contribute much more to your well-being. In fact, the pursuit of money may mean you have less time for enjoyable activities. Women who made over $100,000 per year spent 19.6% of their time on fun activities, while women earning less than $20,000 spent 33.5% of their time on fun activities (Source: Bankrate.com, 2006). The study found that when trying to earn more money, people ended up spending more time commuting, which were some of the worst moments in the day, and less time socializing, which were some of the best moments of the day.

Another study found that money brought happiness when you moved from poverty to middle class income, but brought very little additional happiness once you earned a certain level of income. Once basic needs are met, other things, like friendship and loved ones, become more important than money.

Identity Theft

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number. This is the primary piece of information needed to steal your identity, so only give it out in situations where it is absolutely required, such as on tax forms, employment records, and for banking, stock, and property transactions. Request a personal identification number for phone access to financial information.

- **Only carry essential items in your wallet or purse.** Don't keep anything with your Social Security number in your wallet. Memorize your Social Security number, so you don't have to carry your card. Don't keep any passwords in your wallet. Thieves can obtain a great deal of information from checks, so consider not carrying them with you.
- **Check your credit report annually.** All consumers are entitled to one free credit report per year, which can be requested at annualcreditreport.com or by calling 877-322-8228. Review your credit reports carefully for errors at least annually. It is not uncommon to find information on people with similar names or other family members in your credit file. Make sure you are aware of all accounts listed and that the balances are for expected amounts. Check for addresses you never lived at and inquiries about loans you never applied for. If you find errors, report them immediately in writing. The credit bureau must then investigate the items and resolve those that can't be verified.
- **Carefully share information online.** Never reply to an e-mail message asking for personal financial information. Reputable companies will not request sensitive financial information in this manner. Before giving personal information, review the site's privacy policy, which should tell you how the information will be used and whether the site sells this information to third parties. Leave information blank, especially Social Security numbers, if you are uncomfortable providing the data.
- **Shred financial information when discarding.** When discarding old tax returns, bank statements, brokerage statements, canceled checks, charge card statements, or any information with account numbers or identifying information, shred the information first. You may also want to shred credit card solicitations so someone doesn't use the solicitation without your knowledge.
- **Remove yourself from mailing lists.** Preapproved credit card offers are an easy way for thieves to get credit cards quickly. Credit bureaus often sell lists to companies making these offers. Call the credit agencies and request the removal of your name from these lists.

Loan Carefully

Responding to a request for a loan from a family member or friend can be difficult. Often, the reason they're asking is because a bank or other lending source has turned them down, making them less than an ideal credit risk. Carefully consider such a request before agreeing to loan money. Consider these points:

- **Make sure the loan won't damage your relationship with that person.** Loaning money can put significant stress on a relationship. You may feel uncomfortable asking about missed payments. They may expect you to be more lenient about enforcing repayment terms if problems arise. And, if they get in a situation where they can't repay the loan, misunderstandings and resentment can occur on both sides.
- **Put the arrangement in writing.** If you decide to loan the money, put all the terms in writing, including the principal balance, interest rate, repayment terms, due dates, and provisions for late payments. You may even want to have a lawyer draw up a formal agreement for significant amounts. With a formal repayment schedule, you may feel more comfortable asking about repayments if the person falls behind.
- **Exercise caution before cosigning a loan.** When you cosign a loan, you sign a legal document accepting responsibility for the entire debt. If the primary borrower falls behind in payments, the creditor can come to you immediately looking for payment. The debt will be listed on your credit report, which may impact your ability to obtain another loan. If the primary borrower pays late, that payment history is likely to appear on your credit report.
- **Ask for collateral.** Don't be afraid to ask for a lien on a house or car if you are loaning significant sums. That way, if the person files bankruptcy, your claim will have precedence over general creditors without liens.
- **Don't keep the loan a secret.** If you make a loan to a family member, inform other close family members of the loan and the repayment terms, so they don't feel you are giving preferential treatment to the person who received the loan.

Business Data

Indicator	Month-end Oct-06	Nov-06	Dec-06	Dec-05	Dec-04
Prime rate	8.25	8.25	8.25	7.25	5.25
3-month T-bill yield	4.98	4.91	4.88	3.91	2.23
10-year T-note yield	4.78	4.61	4.60	4.45	4.21
20-year T-bond yield	4.99	4.80	4.82	4.71	4.84
Dow Jones Corp.	5.78	5.58	5.71	5.30	4.97
GDP (adj. annual rate)#	+5.60	+2.60	+2.00	+1.70	+3.80

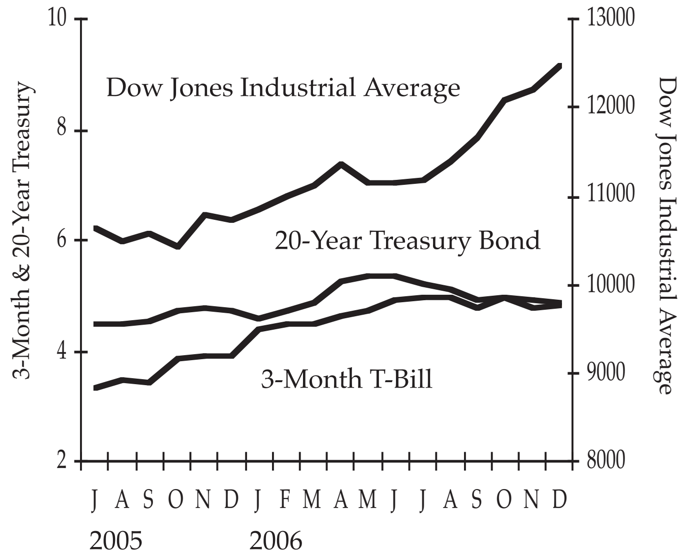
Indicator	Month-end Oct-06	Nov-06	Dec-06	% Change 2006	2005
Dow Jones Industrials	12080.73	12221.93	12463.15	16.3%	-0.8%
Standard & Poor's 500	1377.94	1400.63	1418.30	13.6%	2.9%
Nasdaq Composite	2366.71	2431.77	2415.29	9.5%	1.2%
Gold	603.75	646.70	632.00	22.5%	18.5%
Money supply M2 (bil.)@	6878.80	6939.10	6976.60	4.4%	4.1%
Consumer price index@	202.90	201.80	201.50	2.4%	3.4%
Index of leading ind.@	138.00	138.10	138.20	-0.2.%	20.0%

— 1st, 2nd, 3rd quarter @ — Sep, Oct, Nov

Sources: *Barron's, Wall Street Journal*

18-Month Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

July 2005 to December 2006



News and Announcements

New Year and New Referrals

Happy New Year, and thank you very much for placing your trust in me as your financial advisor for yet another year. I want you to know I sincerely appreciate our relationship and will work hard to continue to serve your needs and interests.

Over the years, I have learned that regardless of media appearances, lectures, and workshops, personal referrals from my happy and satisfied clients have proven to be a great resource for expanding my business. I am, therefore, very thankful for the help my clients have given me in this area over the past year and hope you continue to send referrals to me.

In these uncertain times, you may know of someone who could benefit from my services. As a financial advisor, I am pleased to work with anyone who needs financial help.

Rick